

**MOHAWK VALLEY COMMUNITY ACTION AGENCY, INC.**

**Financial Statements  
as of July 31, 2018 and 2017  
Together with  
Independent Auditor's Report  
and  
Single Audit Reports**

**Bonadio & Co., LLP**  
Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

January 30, 2019

To the Board of Directors of:  
Mohawk Valley Community Action Agency, Inc.:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Mohawk Valley Community Action Agency, Inc. (the Agency) (a nonprofit organization), which comprise the statements of financial position as of July 31, 2018 and 2017, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(Continued)

## INDEPENDENT AUDITOR'S REPORT

(Continued)

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mohawk Valley Community Action Agency, Inc. as of July 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Report on Supplemental Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures for the rural preservation program and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not required parts of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2019, on our consideration of Mohawk Valley Community Action Agency, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Mohawk Valley Community Action Agency Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mohawk Valley Community Action Agency, Inc.'s internal control over financial reporting and compliance.

# MOHAWK VALLEY COMMUNITY ACTION AGENCY, INC.

## STATEMENTS OF FINANCIAL POSITION JULY 31, 2018 AND 2017

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	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 852,198	\$ 547,609
Fees and grants receivable	615,653	788,564
Other receivables	22,869	32,559
Prepaid expenses and other assets	<u>187,523</u>	<u>86,217</u>
Total current assets	<u>1,678,243</u>	<u>1,454,949</u>
INVESTMENTS HELD IN THE COMMUNITY FOUNDATION	101,370	30,000
PROPERTY AND EQUIPMENT, net	<u>561,412</u>	<u>729,855</u>
Total assets	<u>\$ 2,341,025</u>	<u>\$ 2,214,804</u>
<b>LIABILITIES AND NET ASSETS</b>		
CURRENT LIABILITIES:		
Accounts payable	\$ 250,599	\$ 315,341
Accrued expenses	554,798	434,293
Refundable advances	17,529	29,311
Deferred revenue	<u>254,656</u>	<u>209,199</u>
Total current liabilities	<u>1,077,582</u>	<u>988,144</u>
NET ASSETS:		
Unrestricted -		
Available for operations	600,661	465,674
Board designated	101,370	30,000
Investment in property	<u>520,618</u>	<u>678,342</u>
Total unrestricted	1,222,649	1,174,016
Temporarily restricted	<u>40,794</u>	<u>52,644</u>
Total net assets	<u>1,263,443</u>	<u>1,226,660</u>
Total liabilities and net assets	<u>\$ 2,341,025</u>	<u>\$ 2,214,804</u>

The accompanying notes are an integral part of these statements.

**MOHAWK VALLEY COMMUNITY ACTION AGENCY, INC.**

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED JULY 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b>UNRESTRICTED SUPPORT AND REVENUE:</b>		
Fees and grants from governmental agencies	\$ 14,105,074	\$ 12,963,752
Section 8 housing assistance	1,357,934	1,305,012
Contributions and in-kind support	1,504,119	1,461,813
Program revenue	388,195	319,384
Administrative fees	170,946	213,418
Rental income	24,709	41,627
United Way	31,338	13,216
Unrealized gain on investment	7,049	-
Miscellaneous	102,170	99,129
Net assets released from restrictions	<u>11,850</u>	<u>11,850</u>
 Total unrestricted support and revenue	 <u>17,703,384</u>	 <u>16,429,201</u>
<b>EXPENSES:</b>		
Program -		
Child development	11,166,417	10,321,113
Housing	3,610,638	3,134,613
Family resource	<u>1,586,175</u>	<u>1,655,758</u>
 Total program	 16,363,230	 15,111,484
Management and general	1,267,867	1,173,602
Fundraising	<u>23,654</u>	<u>18,852</u>
 Total expenses	 <u>17,654,751</u>	 <u>16,303,938</u>
 Change in unrestricted net assets	 48,633	 125,263
<b>TEMPORARILY RESTRICTED NET ASSETS:</b>		
Net assets released from restrictions	<u>(11,850)</u>	<u>(11,850)</u>
 Change in net assets	 36,783	 113,413
 NET ASSETS - beginning of year	 <u>1,226,660</u>	 <u>1,113,247</u>
 NET ASSETS - end of year	 <u>\$ 1,263,443</u>	 <u>\$ 1,226,660</u>

The accompanying notes are an integral part of these statements.

**MOHAWK VALLEY COMMUNITY ACTION AGENCY, INC.**

**STATEMENTS OF FUNCTIONAL EXPENSES**

**FOR THE YEAR ENDED JULY 31, 2018**

(With comparative totals for 2017)

	Program Services						Totals	
	Child Development	Housing	Family Resource	Total Program Services	Management and General	Fundraising	2018	2017
Personnel	\$ 5,475,186	\$ 566,839	\$ 939,310	\$ 6,981,335	\$ 674,662	\$ 2,499	\$ 7,658,496	\$ 7,038,028
Contractual	838,927	2,383,071	56,745	3,278,743	61,380	463	3,340,586	2,833,724
Fringe	1,379,666	173,384	243,371	1,796,421	216,327	895	2,013,643	1,957,737
In-kind expense	1,433,492	-	35,172	1,468,664	-	-	1,468,664	1,390,675
Common costs	566,300	95,402	99,912	761,614	127,632	4,209	893,455	954,128
Supplies	157,663	84,295	12,000	253,958	31,238	1,283	286,479	396,038
Depreciation and gain on disposals	129,076	(49,865)	1,600	80,811	-	-	80,811	217,073
Out of town	53,378	1,029	5,953	60,360	31,150	-	91,510	87,384
Other	1,132,729	356,483	192,112	1,681,324	125,478	14,305	1,821,107	1,429,151
<b>Total expenses</b>	<b>\$ 11,166,417</b>	<b>\$ 3,610,638</b>	<b>\$ 1,586,175</b>	<b>\$ 16,363,230</b>	<b>\$ 1,267,867</b>	<b>\$ 23,654</b>	<b>\$ 17,654,751</b>	<b>\$ 16,303,938</b>

The accompanying notes are an integral part of these statements.

**MOHAWK VALLEY COMMUNITY ACTION AGENCY, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JULY 31, 2017**

	Program Services						Total 2017
	Child Development	Housing	Family Resource	Total Program Services	Management and General	Fundraising	
Personnel	\$ 5,029,577	\$ 515,740	\$ 890,942	\$ 6,436,259	\$ 600,717	\$ 1,052	\$ 7,038,028
Contractual	752,621	1,922,131	92,716	2,767,468	65,919	337	2,833,724
Fringe	1,321,729	196,487	241,366	1,759,582	197,800	355	1,957,737
In-kind expense	1,311,446	-	79,229	1,390,675	-	-	1,390,675
Common costs	620,898	94,023	103,323	818,244	131,681	4,203	954,128
Supplies	242,345	83,828	48,309	374,482	21,009	547	396,038
Depreciation and loss on disposal	172,715	43,520	800	217,035	38	-	217,073
Out of town	36,818	3,504	13,454	53,776	33,608	-	87,384
Other	832,964	275,380	185,619	1,293,963	122,830	12,358	1,429,151
<b>Total expenses</b>	<b>\$ 10,321,113</b>	<b>\$ 3,134,613</b>	<b>\$ 1,655,758</b>	<b>\$ 15,111,484</b>	<b>\$ 1,173,602</b>	<b>\$ 18,852</b>	<b>\$ 16,303,938</b>

The accompanying notes are an integral part of these statements.

**MOHAWK VALLEY COMMUNITY ACTION AGENCY, INC.**

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JULY 31, 2018 AND 2017**

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	<u>2018</u>	<u>2017</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 36,783	\$ 113,413
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation and amortization	163,256	183,468
(Gain) loss on disposal of property and equipment	(82,445)	33,605
Donated assets	-	(49,728)
Changes in:		
Receivables	182,601	(255,629)
Prepaid expenses and other assets	(172,676)	74,896
Accounts payable	(64,742)	75,247
Accrued expenses	120,505	53,976
Refundable advances	(11,782)	(19,751)
Deferred revenue	<u>45,457</u>	<u>68,141</u>
Net cash flow from operating activities	<u>216,957</u>	<u>277,638</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	-	(153,968)
Proceeds from sale of property and equipment	<u>87,632</u>	<u>-</u>
Net cash flow from investing activities	<u>87,632</u>	<u>(153,968)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	304,589	123,670
CASH AND CASH EQUIVALENTS - beginning of year	<u>547,609</u>	<u>423,939</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 852,198</u>	<u>\$ 547,609</u>
SUPPLEMENTAL DATA - Interest paid	<u>\$ -</u>	<u>\$ 90</u>

The accompanying notes are an integral part of these statements.



# MOHAWK VALLEY COMMUNITY ACTION AGENCY, INC.

## NOTES TO FINANCIAL STATEMENTS JULY 31, 2018 AND 2017

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### 1. THE AGENCY

Mohawk Valley Community Action Agency, Inc. (the Agency) is a New York State nonprofit corporation. The Agency was formed to encourage and coordinate the development of holistic community programs that focus on Child Development, Housing and Family Resources. The programs are designed to eliminate poverty or reduce barriers to self-sufficiency for families in the Mohawk Valley. The Agency's support is primarily from fees and grants from government agencies and local in-kind investments.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of Accounting**

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

#### **Basis of Presentation**

The Agency is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Agency does not have any permanently restricted net assets. Accordingly, net assets of the Agency and changes therein are classified and reported as follows:

- **Unrestricted Net Assets**

Unrestricted net assets include resources that are available for the support of the Agency's operating activities. In addition, they include net assets designated by the Agency's Board of Directors and net assets reflecting the Agency's investment in property.

- **Temporarily Restricted Net Assets**

Temporarily restricted net assets include resources that have been donated to the Agency subject to donor-imposed stipulations that limit their use and/or are subject to the passage of time.

#### **Cash and Cash Equivalents**

Cash and cash equivalents include bank demand deposit accounts and money market accounts. At times, the balances in these accounts may exceed federally insured limits. The Agency has not experienced any losses in these accounts and believes it is not exposed to any significant risk with respect to cash and cash equivalents. The amounts on deposit are swept into U.S. Treasury bills nightly.

#### **Contributions**

Contributions are recognized when a donor makes an unconditional promise to give to the Agency. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets as net assets released from restrictions.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Receivables

Fees and grants and other receivables include obligations from numerous sources including local, New York State, and federal grant contracts and tuition receivables from daycare facilities.

The carrying amount of the receivable is reduced by a valuation that reflects management's best estimate of amounts that will not be collected. Management reviews the receivable balances and estimates the portion that will not be collected based on historical collection percentages and a review of open accounts. After all collection efforts are exhausted the account is written off. At July 31, 2018 and 2017, no allowance for doubtful accounts was considered necessary.

### Property and Equipment

Property and equipment are stated at cost or fair market value if donated, less accumulated depreciation. The Agency capitalizes all property and equipment expenditures over \$5,000 with an estimated useful life in excess of one year. Leasehold improvements are amortized using the straight-line method over the shorter of the remaining lease term or the asset's estimated useful life. Depreciation and amortization expense is recorded on property and equipment using a straight-line basis over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	15 - 20
Furniture, fixtures, and equipment	3 - 10
Vehicles	5

Property and equipment are considered to be owned by the Agency. However, federal, state and county funding sources may maintain equitable interest in property purchased with grant monies as well as the right to determine the use of any proceeds from the sale of these assets.

### Deferred Revenue and Revenue Recognition

The Agency receives grants to assist in carrying out its programs. Grant revenue and Section 8 housing assistance is recognized as eligible expenses are incurred and the related services are provided. A receivable is recognized to the extent support earned exceeds cash advances. Amounts received in advance of the related costs being incurred and the related services provided are recorded as deferred revenue in the accompanying statements of financial position. Deferred revenue amounted to \$254,656 and \$209,199 at July 31, 2018 and 2017, respectively.

### Refundable Advances

Refundable advances represent unspent grant amounts received by the Agency that will be paid back to the grantor and amounted to \$17,529 and \$29,311 at July 31, 2018 and 2017, respectively.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **In-kind Contributions**

The Agency receives in-kind donations from outside parties. The donations include, but are not limited to, equipment, clothing, services, vehicles and food. All donations are unrestricted and used to support and further the Agency's objectives. The donations are reflected in the accompanying statements at their estimated fair market value at the date of receipt as provided by the donor. In addition, many skilled and unskilled individuals have contributed significant amounts of time to the activities of the Agency without compensation.

Contributed services are recognized as in-kind revenue and expense by the Agency when they meet the requirements of GAAP. In-kind contributions of \$1,468,664 and \$1,390,675 for the years ended July 31, 2018 and 2017, respectively, have been recognized as in-kind revenue and expense by the Agency. In addition, the Agency received unskilled services that do not meet the recognition requirement. Management estimates these services had a value of \$850,622 and \$744,355 for the years ended July 31, 2018 and 2017, respectively.

### **Expense Allocation**

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and reflected in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

### **Indirect Cost Rate**

The Agency uses an indirect cost rate for the purpose of allocating indirect costs. The methodology used to develop the indirect cost rate was approved by the U.S. Department of Health and Human Services. The indirect cost allocation plan for the years ended July 31, 2018 and 2017 was approved by the Agency's Cognizant Agency, the U.S. Department of Health and Human Services. The costs, bases, and methods of allocation per the plan were in accordance with the provisions of *OMB Circular A-122, Cost Principles for Nonprofit Organizations*. The actual indirect cost rates for the years ended July 31, 2018 and 2017 were 9.8%. The Agency's rates are based on actual indirect costs of \$1,267,868 and \$1,173,602, and a total direct cost base of \$12,998,643 and \$11,975,328 for the years ended July 31, 2018 and 2017, respectively.

### **Income Taxes**

The Agency is a not-for-profit corporation and is exempt from income taxes as an organization qualified under Section 501(c)(3) of the Internal Revenue Code. The Agency has also been classified by the Internal Revenue Service as an entity that is not a private foundation.

### **Estimates**

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### 3. FEES AND GRANTS RECEIVABLE

Fees and grants receivable consisted of the following at July 31:

	<u>2018</u>	<u>2017</u>
Department of Health and Human Services	\$ 347,741	\$ 510,938
Division of Housing and Community Renewal	145,652	70,991
NYS Office for People with Developmental Disabilities	15,177	36,879
Oneida County	31,539	92,582
Department of Agriculture	6,605	39,207
New York State Department of Education	19,540	23,724
Other receivables	<u>49,399</u>	<u>14,243</u>
	<u>\$ 615,653</u>	<u>\$ 788,564</u>

### 4. INVESTMENTS HELD IN THE COMMUNITY FOUNDATION

The Agency has an account at the Community Foundation of Herkimer and Oneida Counties, Inc. (the Community Foundation). This account is included in the accompanying statements of financial position as investments held in the Community Foundation, at fair value. Withdrawals from the account require approval by the Agency's Board of Directors and may be made in amounts equal to or greater than \$1,000. The Agency must maintain a minimum balance in the account of \$10,000. At July 31, 2018 and 2017, the investment in the Community Foundation was \$101,370 and \$30,000, respectively.

In 2018, the Agency adopted FASB Accounting Standards Update 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, which removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient.

The valuation technique used to measure fair value for the Agency's investments held in the Community Foundation was based on the Agency's percentage of the fair value of the underlying investments, consistent with the market approach, which are valued using quoted market prices. There were no changes to valuation techniques during 2018 and 2017. The Community Foundation's investment objective is to provide a predictable stream of funding while seeking to maintain the purchasing power of the assets. There are no unfunded commitments.

Investment securities are exposed to various risks, such as interest rate, market, and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

## 5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at July 31:

	<u>2018</u>	<u>2017</u>
Land and improvements	\$ 117,645	\$ 117,645
Buildings and improvements	1,374,539	1,617,768
Equipment and vehicles	1,051,507	1,057,887
Leasehold improvements	<u>98,026</u>	<u>120,234</u>
	2,641,717	2,913,534
Less: Accumulated depreciation and amortization	<u>(2,080,305)</u>	<u>(2,183,679)</u>
	<u>\$ 561,412</u>	<u>\$ 729,855</u>

## 6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at July 31:

	<u>2018</u>	<u>2017</u>
Child development	\$ 40,086	\$ 51,936
Youth services	<u>708</u>	<u>708</u>
	<u>\$ 40,794</u>	<u>\$ 52,644</u>

Temporarily restricted net assets were released from donor restrictions by satisfying the restricted child development purposes during the years ended July 31, 2018 and 2017.

## 7. LINE-OF-CREDIT

The Agency has a \$300,000 annually renewable bank line-of-credit, which is only used should a poor cash flow situation arise due to timing of receipts from funding sources. Amounts borrowed on the line bear interest at the bank's prime rate plus 1% (6.00% and 5.25% at July 31, 2018 and 2017, respectively). There were no amounts outstanding on the line at July 31, 2018 and 2017.

## 8. RENTAL ASSISTANCE PROGRAM

The Agency entered into an agreement with the Village of New Hartford (the Village) to administer their Federal Rental Assistance program. Awarded funds are received and deposited by the Village. The Village then transfers the funds to the Agency who disburses them. During the years ended July 31, 2018 and 2017, the Agency administered \$1,357,934 and \$1,305,012, respectively, of rental assistance payments.

The Agency receives an administrative fee for its services from the Village. The total administrative fees received by the Agency for the years ended July 31, 2018 and 2017 were \$170,946 and \$213,418, respectively.

**9. RETIREMENT PLAN**

The Agency sponsors a defined contribution retirement plan (the Plan). All full-time employees who meet the years of service and age requirement are eligible to participate in the Plan. The Agency's contributions to the Plan are discretionary. For the years ended July 31, 2018 and 2017, the Agency made discretionary contributions of \$254,803 and \$176,547 respectively.

**10. COMMITMENTS**

The Agency has several noncancelable operating leases, primarily for program sites, which expire through October 2028. Leases with respect to program sites generally do not exceed a one-year period or the remaining length of the grant contracts funding the program. Total rent expense amounted to \$839,908 and \$839,076 for the years ended July 31, 2018 and 2017, respectively.

The following is a schedule of future minimum rental payments required under the above mentioned leases as of July 31:

<u>Year</u>	<u>Total</u>
2019	\$ 861,932
2020	396,274
2021	311,524
2022	114,630
2023	91,788
Thereafter	<u>481,889</u>
	<u>\$ 2,258,037</u>

**11. CONCENTRATION OF CREDIT RISK**

During 2018 and 2017, the Agency derived approximately 66% of its revenue from the Department of Health and Human Services. The Agency's receivables from the Department of Health and Human Services represented approximately 56% and 65% of fees and grants receivable at July 31, 2018 and 2017, respectively. Additionally, 24% and 9% of the Agency's accounts receivable was from the Division of Housing and Community Renewal at July 31, 2018 and 2017, respectively.

**12. CONTINGENCIES**

**Grants**

Under the terms of various grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such questioned costs could lead to reimbursement to the grantor agencies. Management believes that it would be able to provide support acceptable to the grantor and that any disallowances would not be material.

**12. CONTINGENCIES (Continued)**

**U.S. Department of Health and Human Services**

The U.S. Department of Health and Human Services (HHS) provided \$675,000 to the Agency to purchase the property known as the Cornerstone Building. In addition, HHS transferred the property known as the Calvary Building to the Agency, which had an estimated market value of \$323,000 at the date of transfer. These properties are subject to certain conditions such as the properties may not be used for any purposes inconsistent with its intended purpose and applicable regulations. Additionally, the properties may not be mortgaged or otherwise used as collateral, or sold or transferred to another party without the written permission of HHS.

**13. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through January 30, 2019, which is the date the financial statements were available to be issued.

**MOHAWK VALLEY COMMUNITY ACTION AGENCY, INC.****SCHEDULE OF EXPENDITURES FOR THE RURAL PRESERVATION PROGRAM  
FOR THE YEAR ENDED JULY 31, 2018**

	Expenditures for grant year ended <u>June 30, 2018</u>	Expenditures for the year ended <u>July 31, 2018</u>
Grant revenue	\$ 93,297	\$ 95,017
Expenses:		
Salaries	56,472	57,614
Fringe benefits	23,080	23,455
Consultants	64	64
Travel	192	195
Office supplies	263	268
Dues	20	21
Telephone	756	761
Printing and postage	100	85
Advertising	20	21
Meetings and conferences	246	251
Employee recruitment, recognition and benefit administration	252	257
Insurance	118	120
Audit	188	191
Legal fees	57	59
Housing special allocation/rent, information technology	<u>11,469</u>	<u>11,655</u>
Total expense	<u>93,297</u>	<u>95,017</u>
Program income	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these schedules.



**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JULY 31, 2018**

Federal Grantor/ Pass-Through Grantor/Program Title	CFDA Number	Contract/Grantor Number	Expenditures for the year ended July 31, 2018
Department of Housing and Urban Development:			
Pass through City of Rome, NY - Community Development Block Grants/Entitlement Grants	14.218	MVCAA CDBF 2016	\$ 20,000
Pass through Village of New Hartford - Section 8 Housing and Choice Vouchers	14.871	NY522	638,260
Section 8 Housing and Choice Vouchers	14.871	NY522	890,620
Total Section 8 Housing and Choice Vouchers			<u>1,528,880</u>
Pass through NYS Division of Housing and Community Renewal - Home Investment Partnerships Program	14.239	20153102	85,662
Home Investment Partnerships Program	14.239	20153103	116,697
Home Investment Partnerships Program	14.239	20,163,124.000	80,007
Total Home Investment Partnerships Program			<u>282,366</u>
Total Department of Housing and Urban Development			<u>1,831,246</u>
Department of Health and Human Services:			
Pass through NYS Division of Housing and Community Renewal - Low-Income Home Energy Assistance	93.568	C093480-17	696,321
Low-Income Home Energy Assistance	93.568	C093480-18	278,546
Low-Income Home Energy Assistance	93.568	MOU	4,546
Low-Income Home Energy Assistance	93.568	MOU	17,500
Total Low-Income Home Energy Assistance			<u>996,913</u>
Head Start	93.600	02CH3089-04	6,620,240
Head Start	93.600	02CH010445-02	1,266,898
Head Start	93.600	02CH3089-05	1,259,997
Head Start	93.600	02CH010445-03	208,079
Total Head Start			<u>9,355,214</u>
Pass through Oneida County - Social Services Block Grant - Parent Aide	93.667	14901	167,220
Social Services Block Grant - Parent Aide	93.667	14901	220,554
Total Social Services Block Grant - Parent Aide			<u>387,774</u>
Pass through New York State Department of State - Community Services Block Grant	93.569	C1000308	496,422
Community Services Block Grant	93.569	C1000770	156,003
Total Community Services Block Grant			<u>652,425</u>
Basic Center Grant	93.623	90CY6760-02	6,726
Basic Center Grant	93.623	90CY6760-03	233,966
Total Basic Center Grant			<u>240,692</u>
Total Department of Health and Human Services			<u>11,633,018</u>

(Continued)

**MOHAWK VALLEY COMMUNITY ACTION AGENCY, INC.**

Schedule II

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)  
FOR THE YEAR ENDED JULY 31, 2018  
(Continued)**

Federal Grantor/ <u>Pass-Through Grantor/Program Title</u>	CFDA <u>Number</u>	Contract/Grantor <u>Number</u>	Expenditures for the year ended <u>July 31, 2018</u>
Department of Labor:			
Pass through WFD Board of Herkimer, Madison and Oneida Counties, Inc. -			
WIA/WIOA Youth Activities	17.259	WDB-WIOA-009	45,953
WIA/WIOA Youth Activities	17.259	WDB-WIOA-012	4,876
WIA Dislocated Workers	17.260	LEAP-001	<u>1,956</u>
Total Department of Labor			<u>52,785</u>
Department of Agriculture:			
Pass through Hunger Solutions NY -			
Supplemental Nutrition Assistance Program (State Administrative Match)	10.561	NA	<u>5,410</u>
Total Supplemental Nutrition Assistance Program (State Administrative Match)			<u>5,410</u>
Pass through New York State Department of Health -			
Child and Adult Care Food Program	10.558	2050	<u>619,129</u>
Total Child and Adult Care Food Program			<u>619,129</u>
Total Department of Agriculture			<u>624,539</u>
Department of Homeland Security:			
Emergency Food and Shelter National Board Program	97.024	621600005	<u>1,200</u>
Total Department of Homeland Security			<u>1,200</u>
Department of Energy:			
Pass through New York State Division of Housing and Community Renewal -			
Weatherization Assistance for Low-Income Persons	81.042	C092048-17	<u>174,094</u>
Total Department of Energy			<u>174,094</u>
Corporation for National and Community Service:			
Foster Grandparent Program	94.011	16SFANY008	<u>147,237</u>
Total Corporation for National and Community Service			<u>147,237</u>
Total federal awards			<u>\$ 14,464,119</u>

**Basis of Presentation**

The schedule of expenditures of Federal awards includes the Federal grant activity of Mohawk Valley Community Action Agency, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The schedule includes expenditures of federal programs received directly from federal agencies, as well as federal assistance passed through other organizations.

**Indirect Costs**

The Agency uses a Federally approved indirect cost rate of 11.5% and did not elect to use the 10% de minimus indirect cost rate as allowed under Uniform Guidance.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

January 30, 2019

To the Board of Directors of  
Mohawk Valley Community Action Agency, Inc.:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Mohawk Valley Community Action Agency, Inc. (the Agency) (a nonprofit organization), which comprise the statement of financial position as of July 31, 2018, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 30, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

(Continued)

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

(Continued)

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

January 30, 2019

To the Board of Directors of  
Mohawk Valley Community Action Agency, Inc.:

**Report on Compliance for Each Major Federal Program**

We have audited Mohawk Valley Community Action Agency, Inc.'s (the Agency) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Agency's major federal program for the year ended July 31, 2018. The Agency's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for the Agency's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program occurred. An audit includes examining, on a test basis, evidence about the Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Agency's compliance.

**Opinion on Each Major Federal Programs**

In our opinion, the Agency complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended July 31, 2018.

(Continued)

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

(Continued)

**Report on Internal Control Over Compliance**

Management of the Agency is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Agency's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

# MOHAWK VALLEY COMMUNITY ACTION AGENCY, INC.

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JULY 31, 2018

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### A. SUMMARY OF AUDITOR'S RESULTS

1. The independent auditor's report expresses an unmodified opinion on whether the financial statements of Mohawk Valley Community Action Agency, Inc. (the Agency) were prepared in accordance with generally accepted accounting principles.
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the Agency, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies or material weaknesses relating to the audit of the major federal award programs are reported in the Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance.
5. The independent auditor's report expresses an unmodified opinion on compliance for the major federal award programs for the Agency.
6. There are no audit findings relative to the major federal award programs for the Agency that are required to be reported in accordance with Uniform Guidance.
7. The programs tested as a major program were:
  - Head Start, CFDA No. 93.600
  - Low-Income Home Energy Assistance, CFDA 93.568
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. The Agency was determined to be a low-risk auditee.

### B. FINDINGS - FINANCIAL STATEMENT AUDIT

None

### C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

None

### D. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

None